

[REDACTED]

TAB A

748

MEMORANDUM FOR: Director of Logistics

SUBJECT : Application of the Proceeds of Sales of Personal Property Toward the Purchase of Replacements

25X1A **REFERENCES :** (a) [REDACTED] Same Subject, dated 26 July 1955.
(b) Comptroller Instruction Nos. 15 and 16, dated 29 August 1955.

1. It is the policy of the Agency, as set forth in reference (a), issued pursuant to Section 8 of Public Law 600, approved August 2, 1946, and as implemented by the General Accounting Office Policy and Procedures Manual, that the proceeds of sales of personal property be used toward the purchase of similar items of new property when the purchase is for replacement purposes.

2. Comptroller procedures, as prescribed in reference (b), provide for the Fiscal or Finance Division, as applicable, to advise the Office of Logistics of all such collections and your Office in turn matches up the disposed items with replacements, if any, and submits to the Fiscal Division the report of the completed replacement transaction. This report supports the accounting entry of the sales proceeds as a reimbursement to the current year appropriation account. Proceeds of sales of personal property are available for use toward the purchase of a replacement in the fiscal year in which the sale is made and the following fiscal year. If no obligation is made for a replacement during that period the funds are cleared from the "deferred credit" category and deposited with the U.S. Treasury as "miscellaneous receipts".

3. The majority of the proceeds of these sales pertain to motor vehicles, the inventory of which is under strict control by headquarters. All disposals or purchases made at field installations are specifically authorized by your Office, and the matching up of these replacement transactions does not present any difficulty.

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4. There is a problem, however, with respect to the transactions involving personal property other than vehicles. These represent collections on items many of which are small amounts; also, many are reported under broad categories by field stations, e.g. furniture, not identified to a particular piece of furniture or that it involves a replacement. The Office of Logistics has been quite disturbed about the workload involved in analyzing transactions of this nature, particularly with respect to trying to identify these small amounts per item to replacement transactions, and there have been numerous discussions between representatives of this Office with representatives of your Office to arrive at some practical solution to the problem. A representative of your Office some time ago requested the Finance Division to discontinue sending collection reports on all property exclusive of vehicles, particularly because it had been determined that operating offices budget net only on vehicles. This request was denied in the absence of competent authority to make an exception to Agency regulations.

5. In order to make a more practical application of the Law, which is permissive, and yet meet the objective of the Law without undue administrative burden, it is proposed that Agency policy with respect to proceeds of sales of personal property other than vehicles be modified to provide:

a. Sales of types of property other than vehicles (such as office furniture; household furniture; tools and automotive spare parts, tires, etc.; communications equipment, including transmitters, receivers, etc.; medical equipment; photographic equipment, etc.) be considered replacement transactions without further identity to specific replacement units and the proceeds treated as reimbursements to appropriations as long as the overall Agency inventory level established for each such type of property is not scheduled for reduction as a result of such sales.

b. Sales of types of property other than vehicles be considered non-replacement transactions and the proceeds treated as miscellaneous receipts when the overall Agency inventory level established for each such type of property is scheduled for reduction as a result of such sales.

c. Notwithstanding the foregoing, sales of all types of property be considered non-replacement transactions and the proceeds treated as miscellaneous receipts when the sum of the line items pertaining to a particular sale is \$50.00 or less.

REF ID: A6574

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6. The foregoing procedure is considered from a practical viewpoint to comply with GAO procedures on this subject although it does not require specific item for item identification to be reflected as support for the replacement transaction. However, in view of security measures that are necessary in Agency activities and which often result in unusual acquisitions and dispositions of property items, it is considered advisable to adopt such a procedure.

7. If the proposal stated in paragraph 5 above meets with your concurrence, it is requested that you so indicate on the copy of this memorandum and return it to this Office.

E. R. SAUNDERS
Comptroller

I concur in the proposal stated in paragraph 5 above and the representatives of my Office engaged in the related activities will be advised of the modified policy and procedures.

Director of Logistics

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TAB B

**Comptroller General Decisions as Referred to by the Office
of General Counsel re: Application of Proceeds of Sales
of Personal Property Toward the Purchase of Replacements**

26 C.G. 620
 730

27 C.G. 31
 107
 385
 477
 540
 563

28 C.G. 155
 257
 443

TAB
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TAB B

Excerpts from Comptroller General Decisions

Quoted below are excerpts from C.G. decisions relating to Application of Proceeds of Sales Toward Replacements.

27 C.G. 477 - To the Secretary of the Army, February 26, 1948:

"However, while the documentation proposed to be furnished would show that funds used to make payment on account of the purchase of a general class of new equipment--such, for example, as sedans and busses--were derived from the proceeds of sales of old equipment of the same general class, the supporting papers would not show that the funds used to make payment on account of a particular vehicle were derived from the sale of an old vehicle which it is to replace. Hence, it is obvious that the use of the proposed subsidiary accounts does not contemplate the identification of a particular purchase with a particular sale. Rather, identification would be limited to a reference of a class of sales to a similar class of purchases."

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". . . the use of the subsidiary accounts as proposed would not permit the identification of particular purchases with related sales and, therefore, the accounting for transactions thereunder would not

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comply with the provisions of section 8 of Public Law 600. Accordingly, the request for the establishment of the proposed subsidiary accounts must be denied."

27 C.G. 540 - To the Federal Works Administrator, March 22, 1948:

"Reference is made to your letter of February 2, 1948, relative to a proposal that the Public Roads Administration be permitted to consider all its construction and maintenance equipment--trucks, tractors, traxcavators, dozers, scrapers, graders, shovels, etc.--which is used exclusively for building and maintaining roads and bridges as "road building equipment," so that the proceeds from the sale of any one or more pieces of such equipment, or the exchange value thereof, may be applied toward the purchase of any item of new equipment under section 8 of the act of August 2, 1946, 60 Stat. 808, 809."

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"The authority granted in section 8 of Public Law 600 is intended for use by departments in the purchase of items which are to be used in replacement of old equipment. And the authority extends only to the

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exchange or sale of "similar items." Under the proposal outlined in your letter the individual items of equipment would for all intents and purposes lose their individual identities for the purpose of invoking the authority granted under section 8 of Public Law 600. A truck would not be classed as a truck, a grader would not be classed as a grader, a tractor would not be considered a tractor, etc., but all such equipment would be thrown into the general category of "Road Building Equipment," so that actually the proceeds of sale of any one of the various types of equipment enumerated in your letter would be available for application against the purchase of any other type of equipment.

"I do not feel that the intermingling of various types of equipment related only by use in a general activity such as road building and the classification thereof under one broad heading, is comprehended in the term "similar items" as contained in section 8 of Public Law 600. An interpretation of the term such as contended for would go far afield of the original intent of the statute. Accordingly, I have to advise that this Office may not acquiesce in the modification of the holding in 23 Comp. Gen. 931, to the extent proposed."

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Releas

TAB C

Proceeds of Sales--Personal Property

Month Collected	Vehicles			Other		
	Fiscal	Finance	Total	Fiscal	Finance	Total
Jul. 1957	\$ 1,699.11	\$ 20,015.42		\$ 204.25	\$ 4,607.33	
Aug. 1957	127.77	26,395.42		-	4,865.06	
Sep. 1957	-	26,785.47		6,505.00	5,733.75	
Oct. 1957	3,676.00	10,567.29		-	4,016.35	
Nov. 1957	6,055.67	10,017.11		-	721.37	
Dec. 1957	1,923.99	12,541.13		-	6,683.09	
Jan. 1958	-	28,411.46		-	7,551.35	
Feb. 1958	1,803.00	18,451.52		-	288.53	
Mar. 1958	-	18,795.69		-	1,675.29	
Apr. 1958	115.00	22,637.52		-	9,227.01	
May 1958	2,022.07	34,903.29		-	19,030.50	
Jun. 1958	4,019.21	30,260.61		-	3,036.81	
Totals -						
1958 FY	\$21,441.82	\$259,781.93	\$281,223.75	\$6,709.25	\$ 67,436.44	\$ 74,145.69
Jul. 1958	\$ 2,281.25	\$ 21,497.46		\$ 252.03	\$ 13,376.23	
Aug. 1958	-	27,280.37		-	108,916.78	
Sep. 1958	-	21,904.19		-	2,102.10	
Oct. 1958	1,230.67	18,448.47		5.00	11,905.74	
Nov. 1958	20.41	16,273.68		-	2,230.17	
Dec. 1958	-	9,968.47		-	14,651.90	
Jan. 1959	3,458.81	18,488.68		-	5,179.98	
Feb. 1959	-	24,692.05		-	7,387.91	
Mar. 1959	-	21,429.94		-	8,080.19	
Apr. 1959	-	15,909.91		-	2,748.02	
May 1959	2,489.25	15,609.32		-	3,857.28	
Jun. 1959	3,637.59	35,323.27		5,601.69	45,995.38	
Totals -						
1959 FY	\$13,117.98	\$246,805.81	\$259,923.79	\$5,858.72	\$226,431.68	\$232,290.40